General Services Administration
Office of General Counsel
Washington, DC 20405

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October 17, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Subject: Federal-State Joint Board on Universal Service, and Forward Looking Mechanisms for High Cost Support for Non-Rural LECs
CC Docket Nos. 96-45 and 97-160

Dear Mr. Caton:

Enclosed please find the original and seven copies of the General Services Administration's Comments for filing in the above-referenced proceeding.

Sincerely,

Michael J. Ettner

Michael J. Ettner
Senior Assistant General Counsel
Personal Property Division

Enclosures

cc: Sheryl Todd, Competitive Pricing Division (9 copies and diskette)
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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Federal–State Joint Board on Universal Service	CC Docket No. 96–45
Forward–Looking Mechanism for High Cost Support for Non–Rural LECs	CC Docket No. 97–160

COMMENTS on SECTION III-C-6 of the GENERAL SERVICES ADMINISTRATION

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October 17, 1997

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Summary

GSA advocates procedures that will produce the most accurate estimates of the costs for all telecommunications services. These Comments contain recommendations to help increase the accuracy of models that will be used to determine the forward–looking economic costs incurred by non–rural carriers in providing services eligible for universal service support.

GSA supports the use of Commission prescribed projection lives and future net salvage percents in calculating the economic cost of providing universal service. The Commission's prescribed lives are realistic, unbiased and forward-looking.

When specific carrier/state prescriptions are not available, weighted averages of prescribed projection lives and future net salvage percents should be used. Cost calculations should be updated when projection lives and future net salvage percents are represcribed.

The projection lives used in cost calculations should not reflect the replacement of plant to provide broadband services. The use of shorter lives to reflect a decision to provide broadband would inappropriately burden the universal service program with the cost of broadband-related premature retirements.

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Federal–State Joint Board on Universal Service	CC Docket No. 96–45
Forward–Looking Mechanism for High Cost Support for Non–Rural LECs	CC Docket No. 97–160

COMMENTS on SECTION III-C-6
of the
GENERAL SERVICES ADMINISTRATION

The General Services Administration ("GSA"), on behalf of the customer interests of all Federal Executive Agencies ("FEAs"), submits these Reply Comments in response to the Commission's Further Notice of Proposed Rulemaking ("FNPRM") released July 18, 1997. In the FNPRM, the Commission requests comments and replies on the appropriate procedures for determining the forward–looking economic costs incurred by non–rural carriers in providing services eligible for universal service support.

I. INTRODUCTION

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4), GSA is vested with the responsibility to represent the customer interests of the FEAs before Federal and state regulatory agencies. The FEAs require substantial quantities of interexchange and local telecommunications

services throughout the nation. From this perspective, GSA has consistently supported the Commission's efforts to bring the benefits of competitive telecommunications markets to all consumers.

In its recent Universal Service Order, the Commission adopted a plan for establishing universal service support mechanisms for rural, insular and high cost areas that is designed to replace the current "patchwork" of implicit subsidies with explicit support based on the forward–looking cost of services.[1] GSA provided Comments and Reply Comments in the proceedings culminating in that Order to express its views as an end user with a vital stake in the development of more competition for all services.[2]

The instant proceeding parallels the earlier one in that the Commission is now seeking comments on procedures for calculating costs for non–rural carriers in states that elect not to submit cost studies. GSA is interested in the development of sound costing methods for all carriers since cross–subsidies in any geographical area distort market conditions and impede the development of competition. Consequently, GSA is submitting these Comments to address the input issues concerning depreciation designated for comments in Section III–C-6 of the FNPRM.

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[1] Federal-State Joint Board on Universal Service, CC Docket No. 96–45, *Report and Order*, FCC 97–157, released May 8, 1997 ("Universal Service Order").

[2] CC Docket No. 96–45, Comments of GSA, April 12, 1997; Reply Comments of GSA, May 7, 1997.

II. UNIVERSAL SERVICE DEPRECIATION SHOULD BE CALCULATED USING COMMISSION PRESCRIBED PROJECTION LIVES AND FUTURE NET SALVAGE PERCENTS.

In its Universal Service Order, the Commission concluded that the lives used to calculate the forward-looking economic cost of providing universal service must be within its prescribed ranges.[3] GSA fully supports the use of Commission prescribed projection lives and future net salvage percents in the calculation of universal service costs.

Pursuant to statutory responsibility, the Commission has been prescribing depreciation rates for telephone companies for over 50 years.[4] It usually reviews full studies submitted by the largest companies on a triennial basis.[5] The Commission bases its projection life prescriptions on its analysis of the studies filed by the carriers and in consultation with the various state commission staffs. Since members of the Commission's staff have the responsibility, and the opportunity, to review periodically the plans of every large telephone company, they are the most knowledgeable individuals on this subject in the nation.

Over a decade ago the Commission directed its staff to place less emphasis on historic data in estimating productive lives, and to pay "closer attention to company plans, technological developments and other future-oriented analyses"[6] Recently, the

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[3] Universal Service Order, para. 250.

[4] 47 U.S.C. § 220 (b).

[5] Interim updates are also performed.

[6] Report on Telephone Industry Depreciation, Tax and Capital/Expense Policy, Accounting and Audits Division, Federal Communications Commission, April 15, 1987 ("AAD Report"), p. 3.

Commission reaffirmed its forward-looking orientation in connection with the simplification of its depreciation represcription practices. The Commission prescribed a range of projection lives that could be selected by carriers for prescription on a streamlined basis. The Commission stated that these ranges were based upon "statistical studies of the most recently prescribed factors. These statistical studies required detailed analysis of each carrier's most recent retirement patterns, the carriers' plans, and the current technological developments and trends."[7] This streamlined represcription practice assures the development of projection lives that allow forward-looking capital recovery.

There is ample empirical evidence that the Commission's projection lives have been forward-looking. For example, local exchange carrier ("LEC") depreciation reserve percents have risen significantly since 1980. As the Commission has recognized, "[t]he depreciation reserve is an extremely important indicator of the depreciation process because it is the accumulation of all past depreciation accruals net of plant retirements. As such, it represents the amount of a carrier's original investment that has already been returned to the carrier by its customers."[8]

Attachment 1 displays reserve levels and other plant rates since 1946 for all LECs providing full financial reports to the Commission. As shown on Page 1 of Attachment 1, reserve percents decreased steadily following World War II due to industry growth. These

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[7] Simplification of the Depreciation Prescription Process, CC Docket No. 92-296 ("Prescription Simplification" proceeding) Third Report and Order, FCC 95-181, released May 4, 1995, p. 6.

[8] AAD Report, pp. 5-6.

declines continued through the 1970's due in part to accrual rates which were too low.[9] The Commission's change to forward-looking depreciation practices in the early 1980s, however, resulted in a dramatic rise in reserve levels. The composite reserve level rose from 18.7 percent in 1980 to an historic high of 47.1 percent in 1996. This track record indicates that the depreciation process is resulting in adequate depreciation accruals, and that the Commission's projection life estimates have been forward-looking and unbiased.

Confirmation of the forward-looking nature of current Commission prescriptions can be gained by comparing the 1996 accrual rate of 7.2 percent (Attachment 1, Page 4, Column l) to the 1996 retirement rate of 3.7 percent (Attachment 1, Page 4, Column k). The prescription of an accrual rate much higher than the current retirement rate indicates an expectation that the retirement rate will be much higher in the future. If the Commission were prescribing depreciation rates based upon historical indicators, it would be prescribing depreciation rates in the range of 3 to 5 percent.

Indeed, the latest filings by LECs subject to Commission prescription indicate that the LECs have an overall reserve surplus of over $500 million dollars.[10] The Commission's adoption of forward-looking projection lives and future net salvage percents has been an outstanding success.

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[9] Id., p. 7.

[10] See Attachment 2. The depreicable plant book reserve for all prescribed LECs is 47.4 percent (Attachment 2, Page 4, Column c).

III. WEIGHTED AVERAGES OF THE PROJECTION LIVES AND FUTURE NET SALVAGE PERCENTS PRESCRIBED BY THE COMMISSION SHOULD BE USED WHEN CARRIER/STATE PRESCRIPTIONS ARE NOT AVAILABLE.

In the FNPRM, the Commission tentatively concludes that it should adopt depreciation expenses that reflect a weighted average of the rates authorized for carriers prescribed by the Commission.[11]

GSA recommends that currently prescribed projection lives, adjusted for future net salvage, be used whenever available. When such carrier and state specific parameters are not available, a weighted average of all Commission prescribed projection lives and future net salvage percents will serve adequately as a surrogate.

A weighted average of the depreciation rates currently prescribed should not be used in forward-looking cost studies, since these rates are designed to apply to the embedded plant of carriers.

IV. PROJECTION LIVES SHOULD NOT REFLECT THE REPLACEMENT OF PLANT TO PROVIDE BROADBAND SERVICES.

The Commission seeks comment on whether projection lives should reflect the asset lives of facilities and equipment dedicated to providing only the supported services, or whether the asset lives should reflect a decision to replace existing plant with plant that can provide broadband services.[12]

In the Universal Service Order, the Commission found that "the technology assumed

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[11] FNPRM, para. 152.

[12] Id.

in the cost study or model must be the least-cost, most efficient, and reasonable technology for providing the supported services."[13] The plant lives appropriate for such a calculation should not be based upon the assumption that efficient telecommunications facilities will be prematurely retired in order to provide broadband services. Broadband services are not "supported" services,[14] but the use of shorter lives to reflect a decision to provide them would effectively burden the universal service program with the cost of broadband-related premature retirements. The Commission long ago ruled that the cost of premature retirements due to unregulated services should not be charged to ratepayers. The Commission stated:

> Facilities upgrades and accelerated replacement of older facilities might also be undertaken primarily for the benefit of unregulated service offerings. The principles adopted in the Order dictates that such costs be excluded from the regulated accounts.[15]

Similarly, the cost of premature retirements due to broadband services should not be charged to the universal service program.

The Canadian Radio-Television and Telecommunications Commission ("CRTC") draws a similar distinction. The CRTC divides cost between the Competitive (non-regulated) and Utility (regulated) segments, and states:

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[13] Universal Service Order, para. 250 (1).

[14] Universal Service Order, para. 64.

[15] Separation of costs of regulated telephone service from costs of non-regulated activities, CC Docket No. 86-111, Report and Order, FCC 86-564, released February 6, 1987, paragraph 115.

> The Commission finds that, in general, the most appropriate regulatory treatment for broadband initiatives is to require the telephone companies to assign to the Competitive segment all new investments and related expenses associated with the deployment of fiber, coaxial cable, optoelectrical equipment, asynchrocus transfer mode (ATM) switches, and video servers.[16]
>
> * * *
>
> The Commission does not foresee any instances where it would be appropriate to have fiber or coaxial cables in the distribution portion of the loop assigned to the Utility segment.[17]

V. COST CALCULATIONS SHOULD REFLECT THE COMMISSION'S MOST RECENT PRESCRIPTIONS.

The Commission tentatively concludes that it should adjust depreciation inputs in light of the outcome of its anticipated depreciation rulemaking.[18] The Commission also seeks comment on whether the states should be permitted to adjust their cost studies to incorporate any changes to its depreciation rules.[19]

Cost calculations related to the Commission's universal service plan, whether performed by the Commission or the states, should always reflect the Commission's most recent projection life and future net salvage percent prescriptions. Changes to the Commission's rules with respect to the depreciation of embedded plant, however, have no

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[16] CRTC, Implementation of Regulatory Framework - Splitting of the Rate Base and Related Issues, Telcom Decision CRTC 95-21, 31October 1995, pp. 34-35.

[17] Id., p. 35.

[18] FNPRM, para. 153.

[19] Id.

relevance to forward-looking cost studies, and should thus be ignored.

VI. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to use Commission prescribed projection lives and future net salvage percents in all universal service depreciation calculations.

Respectfully submitted,

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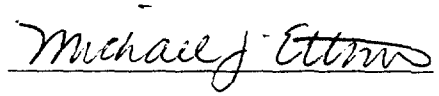

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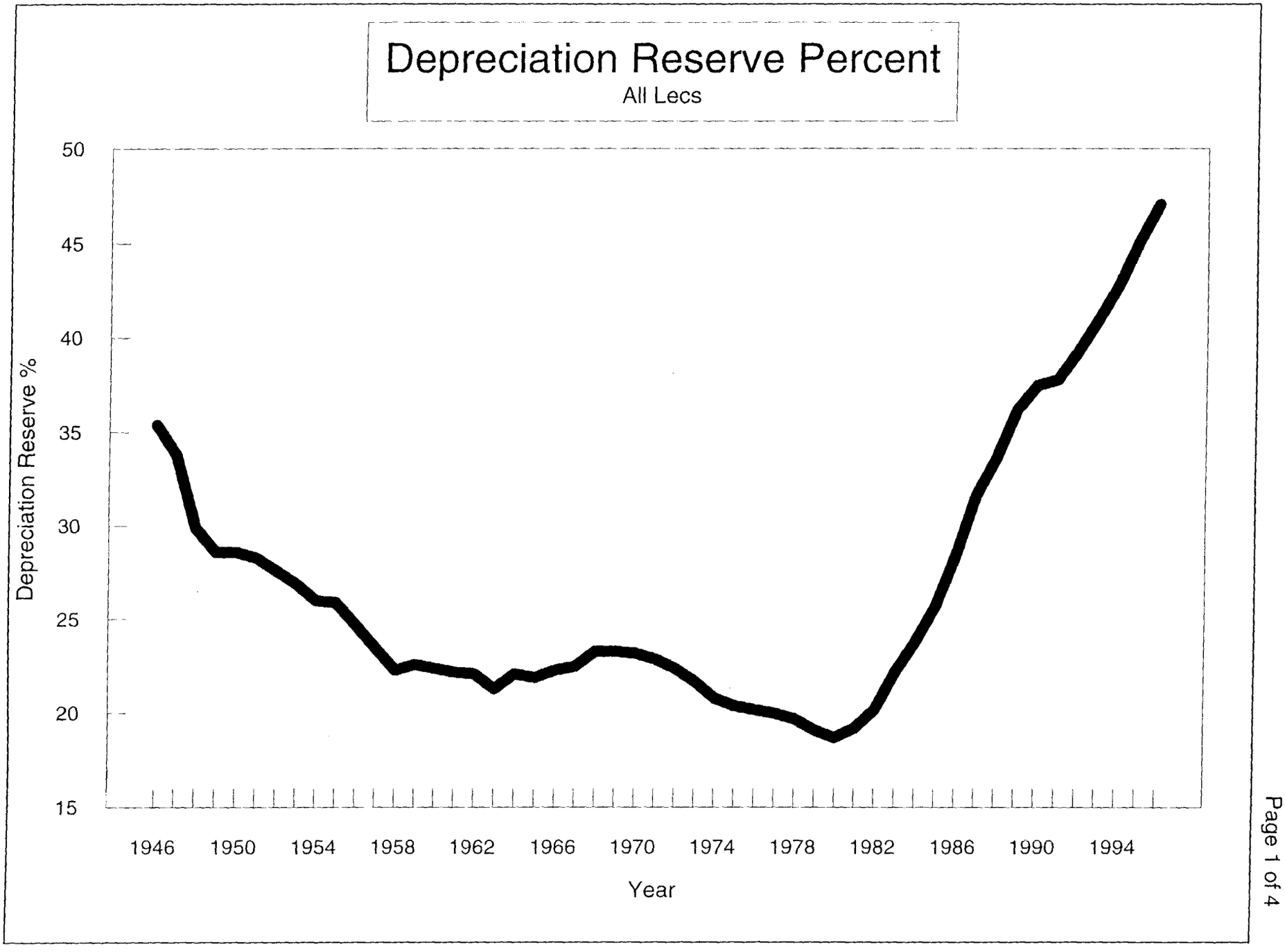
Depreciation Reserve Percent
All Lecs
Depreciation Reserve %
50
45
40
35
30
25
20
15
1946
1950
1954
1958
1962
1966
1970
1974
1978
1982
1986
1990
1994
Year

All LEC's Plant Related Rates

(Dollars in Millions)

	Telecommunications Plant in Service												
	BOY (a)	EOY (b)	Average (c)=(a+b)/2	Increase (d) = b-a	Add (e)	Ret (f)	Deprec (g)	EOY Reserve (h)	AVG Reserve (i)	Add Rate (j) = e/a	Retire Rate (k) = f/a	Deprec Rate (l) = g/c	Reserve Percent (m) = h/b
1946		6,500	3,250	6,500				2,300					35.4
1947	6,500	7,400	6,950	900				2,500	2,400				33.8
1948	7,400	8,700	8,050	1,300				2,600	2,550				29.9
1949	8,700	9,800	9,250	1,100				2,800	2,700				28.6
1950	9,800	10,500	10,150	700				3,000	2,900				28.6
1951	10,500	11,300	10,900	800				3,200	3,100				28.3
1952	11,300	12,300	11,800	1,000				3,400	3,300				27.6
1953	12,300	13,400	12,850	1,100				3,600	3,500				26.9
1954	13,400	14,600	14,000	1,200				3,800	3,700				26.0
1955	14,600	15,800	15,200	1,200				4,100	3,950				25.9
1956	15,800	17,400	16,600	1,600				4,300	4,200				24.7
1957	17,400	19,600	18,500	2,200				4,600	4,450				23.5
1958	19,600	22,000	20,800	2,400				4,900	4,750				22.3
1959	22,000	23,000	22,500	1,000				5,200	5,050				22.6
1960	23,000	25,000	24,000	2,000	2,700	700	1,100	5,600	5,400	11.7	3.0	4.6	22.4
1961	25,000	27,000	26,000	2,000	2,800	800	1,200	6,000	5,800	11.2	3.2	4.6	22.2
1962	27,000	29,000	28,000	2,000	2,900	900	1,300	6,400	6,200	10.7	3.3	4.6	22.1
1963	29,000	32,000	30,500	3,000	4,000	1,000	1,400	6,800	6,600	13.8	3.4	4.6	21.3
1964	32,000	34,000	33,000	2,000	2,900	900	1,600	7,500	7,150	9.1	2.8	4.8	22.1
1965	34,000	37,000	35,500	3,000	4,100	1,100	1,700	8,100	7,800	12.1	3.2	4.8	21.9
1966	37,000	40,000	38,500	3,000	4,100	1,100	1,900	8,900	8,500	11.1	3.0	4.9	22.3

All LEC's Plant Related Rates

(Dollars in Millions)

	Telecommunications Plant in Service												
	BOY (a)	EOY (b)	Average (c)=(a+b)/2	Increase (d) = b-a	Add (e)	Ret (f)	Deprec (g)	EOY Reserve (h)	AVG Reserve (i)	Add Rate (j) = e/a	Retire Rate (k) = f/a	Deprec Rate (l) = g/c	Reserve Percent (m) = h/b
1967	40,000	44,000	42,000	4,000	5,100	1,100	2,100	9,900	9,400	12.8	2.8	5.0	22.5
1968	43,249	47,123	45,186	3,874	5,104	1,230	2,304	10,979	10,440	11.8	2.8	5.1	23.3
1969	47,175	51,724	49,450	4,549	6,022	1,473	2,507	12,072	11,526	12.8	3.1	5.1	23.3
1970	51,723	56,951	54,337	5,228	6,880	1,651	2,751	13,213	12,643	13.3	3.2	5.1	23.2
1971	56,972	63,090	60,031	6,118	8,052	1,933	3,016	14,447	13,830	14.1	3.4	5.0	22.9
1972	63,068	69,870	66,469	6,802	9,044	2,242	3,330	15,643	15,045	14.3	3.6	5.0	22.4
1973	69,951	77,442	73,697	7,491	10,085	2,595	3,659	16,769	16,206	14.4	3.7	5.0	21.7
1974	77,107	84,888	80,998	7,781	11,024	3,243	4,047	17,685	17,227	14.3	4.2	5.0	20.8
1975	84,799	92,284	88,542	7,485	10,881	3,396	4,486	18,809	18,247	12.8	4.0	5.1	20.4
1976	92,591	99,879	96,235	7,288	11,139	3,856	4,934	20,163	19,486	12.0	4.2	5.1	20.2
1977	101,237	109,496	105,367	8,259	12,438	4,136	5,630	21,903	21,033	12.3	4.1	5.3	20.0
1978	109,502	119,336	114,419	9,834	14,549	4,681	6,199	23,474	22,689	13.3	4.3	5.4	19.7
1979	118,612	129,972	124,292	11,360	16,843	5,452	6,820	24,881	24,178	14.2	4.6	5.5	19.1
1980	129,767	142,096	135,932	12,329	18,694	6,378	7,804	26,512	25,697	14.4	4.9	5.7	18.7
1981	142,121	155,845	148,983	13,724	19,482	5,749	8,664	29,932	28,222	13.7	4.0	5.8	19.2
1982	155,907	168,075	161,991	12,168	18,466	6,409	9,757	33,957	31,945	11.8	4.1	6.0	20.2
1983	169,162	178,482	173,822	9,320	16,076	6,664	11,340	39,571	36,764	9.5	3.9	6.5	22.2
1984	152,315	159,798	156,057	7,483	14,994	4,994	10,048	37,996	38,784	9.8	3.3	6.4	23.8
1985	174,218	186,294	180,256	12,076	18,972	6,687	11,469	43,837	40,917	10.9	3.8	6.9	25.7
1986	186,972	198,758	192,865	11,786	18,907	6,954	13,142	51,543	47,690	10.1	3.7	7.5	28.4
1987	199,063	209,687	204,375	10,624	18,535	7,886	15,263	61,471	56,507	9.3	4.0	8.1	31.6

All LEC's Plant Related Rates

(Dollars in Millions)

	Telecommunications Plant in Service												
	BOY (a)	EOY (b)	Average (c)=(a+b)/2	Increase (d) = b-a	Add (e)	Ret (f)	Deprec (g)	EOY Reserve (h)	AVG Reserve (i)	Add Rate (j) = e/a	Retire Rate (k) = f/a	Deprec Rate (l) = g/c	Reserve Percent (m) = h/b
1988	210,720	220,395	215,558	9,675	17,947	8,949	16,627	74,123	67,797	8.5	4.2	7.7	33.6
1989	220,126	229,326	224,726	9,200	16,868	8,145	16,839	83,115	78,619	7.7	3.7	7.5	36.2
1990	229,103	235,247	232,175	6,144	18,473	12,380	16,955	88,146	85,631	8.1	5.4	7.3	37.5
1991	236,093	241,620	238,857	5,527	18,322	12,896	16,607	91,427	89,787	7.8	5.5	7.0	37.8
1992	242,599	249,508	246,054	6,909	18,877	12,138	17,036	98,053	94,740	7.8	5.0	6.9	39.3
1993	250,570	258,782	254,676	8,212	18,864	11,217	17,676	106,079	102,066	7.5	4.5	6.9	41.0
1994	259,216	267,443	263,330	8,227	18,781	10,990	18,656	114,598	110,339	7.2	4.2	7.1	42.8
1995	268,555	278,946	273,751	10,391	19,482	9,411	19,393	125,789	120,194	7.3	3.5	7.1	45.1
1996	278,974	291,569	285,272	12,595	22,401	10,271	20,527	137,278	131,534	8.0	3.7	7.2	47.1
Avg.	'60-'71									12.0	3.1	4.9	
	'72-'83									13.1	4.1	5.5	
	'84-'96									8.5	4.2	7.2	

Source: 1946 -1967 Report on Telephone Industry Depreciation, Tax and Capital/Expense Policy, Accounting and Audits Division, FCC, April 15, 1987, pp.6, 9
1968 - 1983 FCC Statistics of Common Carriers, Tables 12 and 16
1984 - 1987 FCC Statistics of Common Carriers, Tables 10 and 14
1988 - 1996 FCC Statistics of Common Carriers, Tables 2.7 and 2.9

Note 1: 1946 - 1983 Includes AT&T
Note 2: From FCC Statistics of Common Carriers, Table 14
Col l = 1985 Col g/165,076
1986 Col g/175,926
1987 Col g/187,920
Col m = 1985 Col h/170,355
1986 Col h/181,496
1987 Col h/194,343

Summary of Reserves On FCC Basis

(Dollars in Thousands)

Company	State	1/1/97 Investment a	Book Reserve b	Percent c = b / a	Theoretical Reserve d	Percent e = d / a	Surplus f = b - d	Percent g = f / a
Ameritech	Illinois	8,628,551	4,015,040	46.5%	3,690,023	42.8%	325,017	3.8%
	Indiana	3,189,296	1,634,871	51.3%	1,593,363	50.0%	41,508	1.3%
	Michigan	8,001,393	4,004,022	50.0%	3,878,960	48.5%	125,061	1.6%
	Ohio	5,907,859	2,944,437	49.8%	2,849,078	48.2%	95,359	1.6%
	Wisconsin	2,884,500	1,410,133	48.9%	1,404,151	48.7%	5,982	0.2%
	Total	**28,611,599**	**14,008,503**	**49.0%**	**13,415,575**	**46.9%**	**592,928**	**2.1%**
Bell Atlantic	Pennsylvania	9,230,317	4,297,104	46.6%	4,615,656	50.0%	(318,552)	-3.5%
	Maryland	5,368,113	2,386,124	44.4%	2,560,117	47.7%	(173,992)	-3.2%
	Virginia	5,487,151	2,430,175	44.3%	2,201,197	40.1%	228,977	4.2%
	Washington, DC	1,467,257	591,083	40.3%	646,330	44.1%	(55,248)	-3.8%
	West Virginia	1,643,734	826,130	50.3%	896,603	54.5%	(70,473)	-4.3%
	Delaware	755,035	328,055	43.4%	346,866	45.9%	(18,811)	-2.5%
	New Jersey	9,033,217	4,236,962	46.9%	4,322,752	47.9%	(85,789)	-0.9%
	Total	**32,984,826**	**15,095,633**	**45.8%**	**15,589,521**	**47.3%**	**(493,888)**	**-1.5%**
BellSouth	Alabama	4,419,477	2,176,285	49.2%	1,944,803	44.0%	231,482	5.2%
	Kentucky	2,367,752	1,165,160	49.2%	1,044,939	44.1%	120,221	5.1%
	Louisiana	4,396,888	2,403,258	54.7%	2,191,617	49.8%	211,641	4.8%
	Mississippi	2,911,569	1,482,844	50.9%	1,326,595	45.6%	156,249	5.4%
	Tennessee	4,668,829	2,127,904	45.6%	2,021,567	43.3%	106,338	2.3%
	Florida	10,762,004	5,411,262	50.3%	5,083,527	47.2%	327,735	3.0%
	Georgia	8,092,775	3,867,611	47.8%	3,641,897	45.0%	225,714	2.8%
	North Carolina	4,542,809	2,160,787	47.6%	2,071,017	45.6%	89,770	2.0%
	South Carolina	2,801,839	1,364,271	48.7%	1,343,271	47.9%	21,000	0.7%
	Total	**44,963,943**	**22,159,381**	**49.3%**	**20,669,232**	**46.0%**	**1,490,149**	**3.3%**
Nynex	Maine	1,335,810	677,083	50.7%	659,852	49.4%	17,232	1.3%
	Massachusetts	7,787,605	3,753,681	48.2%	3,795,361	48.7%	(41,680)	-0.5%
	New Hampshire	1,523,032	760,471	49.9%	742,888	48.8%	17,583	1.2%
	Rhode Island	913,980	449,777	49.2%	478,009	52.3%	(28,232)	-3.1%
	Vermont	777,195	420,100	54.1%	409,775	52.7%	10,325	1.3%
	New York	19,555,412	9,723,897	49.7%	9,628,878	49.2%	95,019	0.5%
	Total	**31,893,033**	**15,785,009**	**49.5%**	**15,714,763**	**49.3%**	**70,247**	**0.2%**

Summary of Reserves On FCC Basis

(Dollars in Thousands)

Company	State	1/1/97 Investment a	Book Reserve b	Percent c = b / a	Theoretical Reserve d	Percent e = d / a	Surplus f = b - d	Percent g = f / a
Pacific Telesis	Nevada	519,716	237,868	45.8%	228,034	43.9%	9,834	1.9%
	California	26,015,087	12,319,716	47.4%	12,342,202	47.4%	(22,487)	-0.1%
	Total	**26,534,804**	**12,557,584**	**47.3%**	**12,570,236**	**47.4%**	**(12,652)**	**-0.0%**
SBC	Arkansas	1,883,658	853,944	45.3%	901,973	47.9%	(48,029)	-2.5%
	Kansas	2,241,470	1,020,488	45.5%	1,157,473	51.6%	(136,986)	-6.1%
	Missouri	4,957,896	2,013,386	40.6%	2,341,179	47.2%	(327,792)	-6.6%
	Oklahoma	2,843,123	1,436,553	50.5%	1,536,613	54.0%	(100,060)	-3.5%
	Texas	16,775,271	8,080,626	48.2%	8,727,501	52.0%	(646,876)	-3.9%
	Total	**28,701,417**	**13,404,997**	**46.7%**	**14,664,740**	**51.1%**	**(1,259,743)**	**-4.4%**
US West	Arizona	4,249,300	1,962,349	46.2%	2,024,929	47.7%	(62,581)	-1.5%
	Colorado	5,624,757	2,375,370	42.2%	2,879,865	51.2%	(504,496)	-9.0%
	Idaho	877,832	391,566	44.6%	409,248	46.6%	(17,682)	-2.0%
	Montana	722,150	306,234	42.4%	333,703	46.2%	(27,469)	-3.8%
	New Mexico	1,699,030	798,785	47.0%	864,056	50.9%	(65,271)	-3.8%
	Utah	2,033,852	877,527	43.1%	920,739	45.3%	(43,212)	-2.1%
	Wyoming	672,837	323,615	48.1%	333,509	49.6%	(9,894)	-1.5%
	Iowa	1,855,353	970,481	52.3%	957,542	51.6%	12,939	0.7%
	Minnesota	3,706,072	1,767,738	47.7%	1,745,615	47.1%	22,123	0.6%
	Nebraska	1,526,214	815,782	53.5%	780,600	51.1%	35,182	2.3%
	North Dakota	466,568	258,497	55.4%	241,006	51.7%	17,492	3.7%
	South Dakota	584,026	314,198	53.8%	290,140	49.7%	24,058	4.1%
	Oregon	2,266,396	1,000,521	44.1%	1,089,224	48.1%	(88,702)	-3.9%
	Washington	4,511,685	2,160,396	47.9%	2,302,543	51.0%	(142,147)	-3.2%
	Total	**30,796,071**	**14,323,059**	**46.5%**	**15,172,718**	**49.3%**	**(849,659)**	**-2.8%**
RBOCs	**Total**	**224,485,692**	**107,334,165**	**47.8%**	**107,796,784**	**48.0%**	**(462,619)**	**-0.2%**

Summary of Reserves On FCC Basis

(Dollars in Thousands)

Company	State	1/1/97 Investment a	Book Reserve b	Percent c = b / a	Theoretical Reserve d	Percent e = d / a	Surplus f = b - d	Percent g = f / a
Cincinnati Bell	Kentucky	280,102	122,935	43.9%	127,642	45.6%	(4,707)	-1.7%
	Ohio	1,196,084	561,772	47.0%	573,494	47.9%	(11,722)	-1.0%
	Total	**1,476,186**	**684,707**	**46.4%**	**701,136**	**47.5%**	**(16,429)**	**-1.1%**
Citizens	California	268,628	125,070	46.6%	110,046	41.0%	15,024	5.6%
	New York	583,704	262,329	44.9%	262,193	44.9%	136	0.0%
	Total	**852,332**	**387,399**	**45.5%**	**372,239**	**43.7%**	**15,160**	**1.8%**
SNET	Connecticut	4,156,326	2,063,735	49.7%	1,916,272	46.1%	147,463	3.5%
	Total	**4,156,326**	**2,063,735**	**49.7%**	**1,916,272**	**46.1%**	**147,463**	**3.5%**
United Tel - Southeast	Tennessee	410,436	194,548	47.4%	198,028	48.2%	(3,480)	-0.8%
	Virginia	190,365	91,766	48.2%	92,362	48.5%	(596)	-0.3%
	West Virginia	243	93	38.4%	88	36.4%	5	2.0%
	Total	**601,043**	**286,407**	**47.7%**	**290,479**	**48.3%**	**(4,072)**	**-0.7%**
GTE - North	Illinois	1,729,052	854,529	49.4%	767,746	44.4%	86,783	5.0%
	Indiana	1,844,853	878,831	47.6%	732,154	39.7%	146,677	8.0%
	Michigan	1,513,933	689,768	45.6%	646,191	42.7%	43,577	2.9%
	Ohio	1,565,079	786,273	50.2%	665,693	42.5%	120,579	7.7%
	Pennsylvania	1,149,225	558,689	48.6%	465,043	40.5%	93,646	8.1%
	Wisconsin	1,063,518	536,205	50.4%	456,335	42.9%	79,869	7.5%
	Total	**8,865,661**	**4,304,294**	**48.6%**	**3,733,162**	**42.1%**	**571,132**	**6.4%**
GTE - Florida	Florida	3,963,035	1,603,221	40.5%	1,600,874	40.4%	2,347	0.1%
	Total	**3,963,035**	**1,603,221**	**40.5%**	**1,600,874**	**40.4%**	**2,347**	**0.1%**
GTE - South	Alabama	595,988	269,411	45.2%	266,937	44.8%	2,475	0.4%
	Kentucky	1,245,687	576,931	46.3%	521,912	41.9%	55,018	4.4%
	North Carolina	798,444	349,902	43.8%	351,749	44.1%	(1,847)	-0.2%
	South Carolina	410,660	190,214	46.3%	192,215	46.8%	(2,001)	-0.5%
	Virginia	81,824	30,404	37.2%	29,289	35.8%	1,115	1.4%
	Total	**3,132,604**	**1,416,863**	**45.2%**	**1,362,103**	**43.5%**	**54,760**	**1.7%**

Summary of Reserves On FCC Basis

(Dollars in Thousands)

Company	State	1/1/97 Investment a	Book Reserve b	Percent c = b / a	Theoretical Reserve d	Percent e = d / a	Surplus f = b - d	Percent g = f / a
GTE - Midwest	Iowa	578,777	259,928	44.9%	221,598	38.3%	38,329	6.6%
	Missouri	1,100,306	439,758	40.0%	407,368	37.0%	32,390	2.9%
	Nebraska	113,599	49,913	43.9%	44,026	38.8%	5,887	5.2%
	Total	**1,792,682**	**749,599**	**41.8%**	**672,992**	**37.5%**	**76,607**	**4.3%**
GTE - Southwest	Arkansas	236,085	96,905	41.0%	103,310	43.8%	(6,405)	-2.7%
	New Mexico	205,602	125,522	61.1%	109,244	53.1%	16,278	7.9%
	Oklahoma	246,181	113,174	46.0%	108,918	44.2%	4,256	1.7%
	Texas	4,201,399	1,822,621	43.4%	1,862,787	44.3%	(40,166)	-1.0%
	Total	**4,889,267**	**2,158,222**	**44.1%**	**2,184,259**	**44.7%**	**(26,038)**	**-0.5%**
GTE - Northwest	Idaho	344,448	133,589	38.8%	115,573	33.6%	18,016	5.2%
	Oregon	865,604	348,388	40.2%	297,153	34.3%	51,235	5.9%
	Washington	1,893,472	755,622	39.9%	645,453	34.1%	110,169	5.8%
	Hawaii	1,872,627	791,254	42.3%	739,986	39.5%	51,268	2.7%
	Total	**4,976,150**	**2,028,853**	**40.8%**	**1,798,165**	**36.1%**	**230,688**	**4.6%**
Contel of CA	California	843,440	424,013	50.3%	405,294	48.1%	18,719	2.2%
	Total	**843,440**	**424,013**	**50.3%**	**405,294**	**48.1%**	**18,719**	**2.2%**
GTE/Contel of VA	Virgina	1,094,008	433,227	39.6%	456,426	41.7%	(23,198)	-2.1%
	Total	**1,094,008**	**433,227**	**39.6%**	**456,426**	**41.7%**	**(23,198)**	**-2.1%**
GTE	**Total**	**29,556,848**	**13,118,291**	**44.4%**	**12,213,274**	**41.3%**	**905,018**	**3.1%**
All LECs	**Total**	**261,128,428**	**123,874,705**	**47.4%**	**123,290,184**	**47.2%**	**584,521**	**0.2%**

Source: Carrier submissions pursuant to Section C-1 of Depreciation Study Guide

CERTIFICATE OF SERVICE

I MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Comments of the General Services Administration" were served this 17th day of October, 1997, by hand delivery or postage paid to the following parties:

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